

# **ENCORP BERHAD**

**(506836-X)**

(Incorporated in Malaysia)

## **INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2007**

(Unaudited)

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**ENCORP BERHAD**

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

|   | Unaudited<br>Individual Quarter                     |  | Unaudited<br>Cumulative Quarters                   |   |
|---|---|--|--|---|
|   | Current<br>Quarter<br>Ended<br>30 June 07<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>30 June 06<br>RM'000 | Current<br>Year To<br>Date<br>30 June 07<br>RM'000 | Preceding Year<br>Corresponding<br>Year<br>30 June 06<br>RM'000 |
| Revenue   | 153,163   | 29,100   | 209,356  | 56,465  |
| Cost of Sales   | <u>(25,508)</u>                                     | <u>(2,979)</u>   | <u>(43,008)</u>                                    | <u>(4,261)</u>  |
| Gross Profit  | 127,655   | 26,121   | 166,348  | 52,204  |
| Other Income  | 1,187   | 777  | 1,961  | 1,330   |
| Selling and Marketing Expenses  | (551)   | (662)  | (754)  | (1,331)   |
| Administrative Expenses   | (2,951)   | (2,360)  | (5,385)  | (4,758)   |
| Other Expenses  | (6,169)   | (1,320)  | (8,212)  | (2,601)   |
| Finance Costs   | (29,933)  | (27,538)   | (56,606)   | (54,776)  |
| Share of Profit of Associate  | <u>-</u>  | <u>1,244</u>   | <u>-</u>   | <u>2,493</u>  |
| Profit / (Loss) Before Tax  | 89,238  | (3,738)  | 97,352   | (7,439)   |
| Income Tax Expense  | <u>(24,374)</u>                                     | <u>-</u>   | <u>(27,624)</u>                                    | <u>-</u>  |
| Profit / (Loss) For The Period  | <u>64,864</u>                                       | <u>(3,738)</u>   | <u>69,728</u>                                      | <u>(7,439)</u>  |
| Attributable To:  |   |  |  |   |
| Equity Holders of The Parent  | 61,818  | (3,738)  | 63,883   | (7,439)   |
| Minority Interest   | <u>3,046</u>  | <u>-</u>   | <u>5,845</u>                                       | <u>-</u>  |
|   | <u>64,864</u>                                       | <u>(3,738)</u>   | <u>69,728</u>                                      | <u>(7,439)</u>  |
| Earnings / (Loss) Per Share Attributable<br>To Equity Holders of The Parent (Sen):<br>Basic, For Profit / (Loss) For The Period | <u>27.66</u>  | <u>(1.67)</u>  | <u>28.58</u>                                       | <u>(3.33)</u>   |

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

**ENCORP BERHAD**

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2007**

|                                       | <b>Unaudited<br/>As At End of<br/>Current Period<br/>30 June 07<br/>RM'000</b> | <b>Audited<br/>AS AT PREVIOUS<br/>Financial Period<br/>End<br/>31 Dec 06<br/>RM'000</b> |
|---------------------------------------|--|---|
| <b>ASSETS</b>                         |  |   |
| <u>NON-CURRENT ASSETS</u>             |  |   |
| PROPERTY, PLANT AND EQUIPMENT         | 4,866  | 5,096   |
| LAND HELD FOR PROPERTY DEVELOPMENT    | 82,727   | 82,727  |
| GOODWILL ON CONSOLIDATION             | 145,287  | 153,205   |
| CONCESSION INCOME RECEIVABLES         | 1,043,416  | 1,106,113   |
| <u>CURRENT ASSETS</u>                 |  |   |
| Property Development Costs            | 44,225   | 63,735  |
| Trade and Other Receivables           | 253,038  | 147,973   |
| Tax Recoverable                       | 264  | 264   |
| Deposits, Cash and Bank Balances      | 162,990  | 53,445  |
|                                       | 460,517  | 265,417   |
| Investment In Associate Held for Sale | -  | 39,800  |
|                                       | 460,517  | 305,217   |
| <b>TOTAL ASSETS</b>                   | <b>1,736,813</b>   | <b>1,652,358</b>  |

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

**ENCORP BERHAD**

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2007**

|   | <b>Unaudited<br/>As At End of<br/>Current Period<br/>30 June 07<br/>RM'000</b> | <b>Audited<br/>AS AT PREVIOUS<br/>Financial Period<br/>End<br/>31 Dec 06<br/>RM'000</b> |
|---|--|---|
| <b>EQUITY AND LIABILITIES</b>   |  |   |
| SHARE CAPITAL   | 223,509  | 223,509   |
| SHARE PREMIUM   | 103,563  | 103,563   |
| ACCUMULATED LOSS  | (37,456)   | (101,339)   |
| TOTAL EQUITY ATTRIBUTABLE TO<br>EQUITY HOLDERS OF THE PARENT                      | 289,616  | 225,733   |
| MINORITY INTEREST   | 7,701  | 1,856   |
| TOTAL EQUITY  | 297,317  | 227,589   |
| <b><u>NON-CURRENT LIABILITIES</u></b>   |  |   |
| Trade Payables  | 80,575   | 80,575  |
| Long Term Borrowings  | 1,098,718  | 1,106,110   |
| Deferred Taxation   | 32,363   | 8,984   |
| Hire Purchase Payables  | -  | 47  |
|   | 1,211,656  | 1,195,716   |
| <b><u>CURRENT LIABILITIES</u></b>   |  |   |
| Trade and Other Payables  | 95,323   | 109,401   |
| Amount Due to Corporate Shareholder   | -  | 584   |
| Short Term Borrowings   | 128,042  | 117,519   |
| Hire Purchase Payables  | 145  | 177   |
| Provision for Taxation  | 4,330  | 1,372   |
|   | 227,840  | 229,053   |
| TOTAL LIABILITIES   | 1,439,496  | 1,424,769   |
| TOTAL EQUITY AND LIABILITIES  | 1,736,813  | 1,652,358   |
| <b>NET ASSETS PER SHARE ATTRIBUTABLE TO<br/>EQUITY HOLDERS OF THE PARENT (RM)</b> |  |   |
|   | 1.30   | 1.01  |

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

**ENCORP BERHAD**

(Company No: 506836-X)





(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

|                          | Attributable to Equity Holders of the Parent |  |  | Total          | Minority<br>Interest | Total<br>Equity |
|--------------------------|--|--|--|----------------|----------------------|-----------------|
|                          | Share<br>Capital<br>RM'000                   | Non -<br>Distributable<br>Share<br>Premium<br>RM'000 | Distributable<br>Retained<br>Profits/<br>(Accumulated<br>Losses)<br>RM'000 |                |                      |                 |
| <b>At 1 January 2006</b> | 223,509                                      | 103,563  | 23,505   | 350,577        | -                    | 350,577         |
| Loss for the period      | -  | -  | (7,439)  | (7,439)        | -                    | (7,439)         |
| At 30 June 2006          | <u>223,509</u>                               | <u>103,563</u>                                       | <u>16,066</u>  | <u>343,138</u> | -                    | <u>343,138</u>  |
| At 1 January 2007        | 223,509                                      | 103,563  | (101,339)  | 225,733        | 1,856                | 227,589         |
| Profit for the period    | -  | -  | 63,883   | 63,883         | 5,845                | 69,728          |
| At 30 June 2007          | <u>223,509</u>                               | <u>103,563</u>                                       | <u>(37,456)</u>  | <u>289,616</u> | <u>7,701</u>         | <u>297,317</u>  |


The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

|  |  Unaudited <br> 6 Months Ended <br><b>30 June 07</b> <b>30 June 06</b><br><b>RM'000</b> <b>RM'000</b> |
|--|---|
| <b>Cash Flows From Operating Activities</b>              |   |
| Profit / (loss) before taxation                          | 97,352                      (7,439)   |
| Adjustments for:   |   |
| Depreciation   | 294                              294  |
| Gain on disposal of property, plant and equipment        | (2)                              (15)   |
| Impairment of goodwill on consolidation                  | 7,918                          2,306  |
| Interest expenses  | 56,606                        54,776  |
| Interest income  | (1,509)                        (1,298)  |
| Share of profit of associate                             | -                                (2,493)  |
|  | <hr/>   |
| Operating profit before working capital changes          | 160,659                      46,131   |
| Changes in working capital:                              |   |
| Net changes in current assets                            | (42,392)                      (7,323)   |
| Net changes in current liabilities                       | (14,078)                      28,680  |
|  | <hr/>   |
| Cash generated from operations                           | 104,189                      67,488   |
| Income taxes paid  | (2,165)                      (1,003)  |
| Interest paid  | (6)                              (15)   |
| Tax refund   | 878                              -  |
|  | <hr/>   |
| Net cash generated from operating activities             | <u>102,896</u> <u>66,470</u>  |
| <b>Cash Flows From Investing Activities</b>              |   |
| Development costs  | 19,510                      (11,040)  |
| Dividend income  | -                                3,136  |
| Interest received  | 1,433                          1,116  |
| Proceeds from disposal of associate company              | 39,900                        -   |
| Proceeds from disposal of property, plant and equipment  | 2                                15   |
| Purchase of property, plant and equipment                | (64)                            (192)   |
|  | <hr/>   |
| Net cash generated from / (used in) investing activities | 60,781                      (6,965)   |

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

  
**Unaudited**  
**6 Months Ended**  
**30 June 07**                      **30 June 06**  
**RM'000**                              **RM'000**

**Cash Flows From Financing Activities**

|   |                      |                      |
|---|----------------------|----------------------|
| Redemption of ABBA Notes                                | (53,468)             | (64,755)             |
| Repayment of advances                                   | (584)                | -                    |
| Placement of deposits pledged                           | (75,860)             | 9,613                |
| Repayment of hire purchase                              | (80)                 | (94)                 |
| Net cash used in financing activities                   | <u>(129,992)</u>     | <u>(55,236)</u>      |
| <b>Net Increase in Cash and Cash Equivalents</b>        | 33,685               | 4,269                |
| <b>Cash and Cash Equivalents At Beginning of Period</b> | <u>19,144</u>        | <u>9,393</u>         |
| <b>Cash and Cash Equivalents At End of Period</b>       | <u><b>52,829</b></u> | <u><b>13,662</b></u> |

Cash and cash equivalents comprise the following: -

|  |                      |                      |
|--|----------------------|----------------------|
| Cash deposits placed with:                           |                      |                      |
| - Licensed banks                                     | 33,331               | 17,266               |
| - Licensed corporation                               | 122,039              | 43,407               |
| Cash and bank balances                               | <u>7,620</u>         | <u>1,583</u>         |
|  | 162,990              | 62,256               |
| Less: Bank balance and deposits pledged / designated | (110,161)            | (48,594)             |
| <b>Cash and Cash Equivalents At End of Period</b>    | <u><b>52,829</b></u> | <u><b>13,662</b></u> |

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (FRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Encorp Berhad Group ("the Group") since the financial year ended 31 December 2006.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

**A2. Auditors' Report on Preceding Annual Financial Statements**

The Group's latest audited financial statements for the financial year ended 31 December 2006 were not subject to any qualification.

**A3. Seasonal or Cyclical Factors of Operations**

The Group's operations are not materially affected by any seasonal or cyclical factors.

**A4. Unusual Items Due to Their Nature, Size or Incidences**

There were no unusual items affecting the nature and amount of assets, liabilities, equity, net income and cash flows of the Group during the financial period under review.

**A5. Changes in Estimates**

There were no changes in estimates of amounts reported in the current quarter or changes in estimates of amounts reported in prior financial years that have had a material effect in the current quarter.

**A6. Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period ended 30 June 2007 except for the following: -

Repayment

Tranches 2 and 3 of Encorp Systembilt Sdn Bhd's ("ESSB") Al-Bai Bithaman Ajil Notes ("Bajds")

**RM'000**

(53,468)

**A7. Dividends Paid**

No dividends were paid during the current financial period under review.



**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

**A8. Segmental Reporting**

The Group's segment revenue and results are presented by industry segments for the financial period ended 30 June 2007 as follows: -

|                              | <b>Investment<br/>Holding<br/>RM'000</b> | <b>Property<br/>Development<br/>RM'000</b> | <b>Construction<br/>RM'000</b> | <b>Other *<br/>RM'000</b> | <b>Elimination<br/>RM'000</b> | <b>Consolidated<br/>RM'000</b> |
|------------------------------|--|--|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| <b>Segment Revenue</b>       |  |  |                                |                           |                               |                                |
| - External sales             | -  | 64,394                                     | -                              | 144,962                   | -                             | 209,356                        |
| - Inter-segment sales        | 2,594                                    | -  | 4,712                          | -                         | (7,306)                       | -                              |
| Total revenue                | 2,594                                    | 64,394                                     | 4,712                          | 144,962                   | (7,306)                       | <u>209,356</u>                 |
| <b>Results</b>               |  |  |                                |                           |                               |                                |
| - Segment results            | 1,660                                    | 18,588                                     | (255)                          | 142,462                   | (10,006)                      | 152,449                        |
| - Interest expenses          | -  | -  | (6)                            | (56,600)                  | -                             | (56,606)                       |
| - Interest income            | 506                                      | 278  | -                              | 725                       | -                             | 1,509                          |
| - Income tax expense         | -  | (5,124)                                    | -                              | (23,378)                  | 878                           | (27,624)                       |
| Profit the financial period  |  |  |                                |                           |                               | <u>69,728</u>                  |
| Profit attributable to:      |  |  |                                |                           |                               |                                |
| Equity holders of the parent |  |  |                                |                           |                               | 63,883                         |
| Minority interest            |  |  |                                |                           |                               | <u>5,845</u>                   |
|                              |  |  |                                |                           |                               | <u>69,728</u>                  |

\* This segment refers to the concessionaire to build and transfer teachers' quarters to the Government of Malaysia.

**A9. Valuation of Property, Plant and Equipment**

There were no valuation for property, plant and equipment of the Group.

**A10. Material Events Subsequent to the Balance Sheet Date**

There were no material events subsequent to the end of the current quarter.

**A11. Changes in the Composition of the Group**

There were no other changes in the composition of the Group during the financial period under review, including business combination, acquisition or disposal of subsidiary and long-term investment, restructuring and discontinuing operations.

**A12. Changes in Contingent Liabilities**

|                        | <b>RM'000</b> |
|------------------------|---------------|
| As at 31 December 2006 | <u>39,511</u> |
| As at 30 June 2007     | <u>39,511</u> |

**A13. Capital Commitments**

|                        | <b>RM'000</b> |
|------------------------|---------------|
| As at 31 December 2006 | <u>13,289</u> |
| As at 30 June 2007     | <u>-</u>      |

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

**B1. Review of Performance of the Company and its Principal Subsidiaries**

The Group achieved revenue of RM209.36 million for the current financial period ended 30 June 2007. The revenue is attributed to the annuity interest income arising from the completion and handover of the teachers' quarters and the sales from the property development. The Group's revenue included the retrospective revenue of RM84.1 million following the settlement of the final accounts with the Ministry of Education ("MOE") at the Dispute Resolution Committee ("DRC") meeting held on 8 June 2007.

The Group's profit after tax for the same financial period is RM69.73 million. Likewise, the Group's profit after tax has taken into account the retrospective profit attributed to the final accounts of RM57.6 million. The balance of the Group's profit after tax was derived from the sales and progress billings from the development projects in the subsidiary.

**B2. Comparison with Immediate Preceding Quarter**

For the current quarter under review, the Group recorded a profit after tax of RM64.86 million as compared to a profit after tax of RM4.86 million recorded in the immediate preceding quarter.

The settlement of the final accounts with MOE at the DRC meeting held on 8 June 2007 will result in the payment of retrospective concession income from the date of submission of the final accounts up to June 2007 and the commencement of the revised monthly concession payments of RM11.4 million. To date, we have received the sum of RM22.57 million from the MOE being partial payment of the revised monthly concession income for the months of July and August 2007. The Group will be following up with MOE on payment of the difference thereof.

For the current quarter, the profits were also contributed by the concession income from the basic works and the revenue from the property development projects. In the preceding quarter, the profit of RM4.86m was mainly attributed to the property development projects.

**B3. Current Year Prospect**

The settlement of the final accounts of the teachers' quarters project will result in a constant stream of income to the Group until the expiry of the concession in year 2028. The revenue will be further enhanced by the sale of properties in two of the property development projects of a subsidiary company.

**B4. Variance from Forecast Profit and Profit Guarantee**

Not applicable for the current quarter ended 30 June 2007.

**B5. Income Tax Expense**

|              | <b>Current<br/>Quarter Ended<br/>30 June 07<br/>RM'000</b> | <b>Current Year<br/>Ended<br/>30 June 07<br/>RM'000</b> |
|--------------|--|---|
| Income tax   | (995)  | (4,245)   |
| Deferred tax | <u>(23,379)</u>  | <u>(23,379)</u>   |
|              | <u><u>(24,374)</u></u>                                     | <u><u>(27,624)</u></u>                                  |

The effective tax rate is higher than the statutory rate mainly due to certain expenses disallowed for tax deduction.

**B6. Disposal of Unquoted Investments and Properties**

There was no disposal of investments for the current financial period under review.

**B7. Purchase or Disposal of Quoted Securities**

There was no purchase and disposal of quoted securities for the current financial period under review.

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

**B8. Status of Corporate Proposals**

There were no corporate proposals which are outstanding.

**B9. Group Borrowings**

The Group borrowings as at 30 June 2007 comprise: -

|  | <b>RM'000</b>           |
|--|-------------------------|
| <b><u>Short Term Borrowings - Payable Within 12 Months</u></b> |                         |
| Hire purchase payables   | 145                     |
| Al-Bai Bithaman Ajil Notes - secured                           | 128,042                 |
|  | <u>128,187</u>          |
| <b><u>Long Term Borrowings - Payable After 12 Months</u></b>   |                         |
| Advance  | 8,000                   |
| Al-Bai Bithaman Ajil Notes - secured                           | 1,090,718               |
|  | <u>1,098,718</u>        |
| <b>Total group borrowings</b>                                  | <u><b>1,226,905</b></u> |

**B10. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk at the date of this report.

**B11. Changes in Material Litigation**

- a) There is a claim of RM7.7 million made by a third party against, inter alia, two subsidiaries of the Group for losses and damages suffered from alleged trespass into its land on which the two subsidiaries were carrying out works for the Government of Malaysia. The case was heard on 6 March 2006. However, the continued hearings were postponed on 10 July and 11 December 2006 respectively. The court has yet to fix a new hearing date.
- b) There is an arbitration proceeding between a subsidiary ("Subsidiary") and one of the Subsidiary's contractors ("Contractor") in respect of claims arising from the Teachers' Quarters Project undertaken by the Contractor. From the total claims submitted by the Contractor, a portion thereof has been certified and paid by the Subsidiary. The balance of the claims amounting to approximately RM5m comprises claims due to the late delivery of the site to the Contractor, claims for extension of time and head office costs which the Subsidiary is disputing. At the same time, the Subsidiary is pursuing its counter claim against the Contractor. The arbitration proceeding has been fixed for continued hearing from 3 to 7 December 2007.

**B12. Dividends**

The Board of Directors had on 31 July 2007 declared an interim dividend of 5% less 27% Malaysian income tax in respect of the financial year ending 31 December 2007. The date of book closure was 21 August 2007 and the payment date will be on 20 September 2007.

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2007**

**B13. Basic Earnings Per Share**

|   | <b>Current<br/>quarter ended<br/>30 June 07</b> | <b>Current<br/>period ended<br/>30 June 07</b> |
|---|---|--|
|   | RM'000  | RM'000   |
| Profit attributable to equity holders of the parent (RM'000)  | <u><u>61,818</u></u>                            | <u><u>63,883</u></u>                           |
| Weighted average number of ordinary shares<br>in issue ('000) | <u><u>223,509</u></u>                           | <u><u>223,509</u></u>                          |
| <b>Basic earnings per ordinary share (Sen)</b>                | <u><u>27.66</u></u>                             | <u><u>28.58</u></u>                            |

There is no diluted earnings per share as there were no dilutive potential ordinary shares.

**B14. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 August 2007.

By Order of the Board  
**ENCORP BERHAD (506836-X)**

**Chua Siew Chuan**  
Company Secretary

29 August 2007